

**FORM
N-316
(1997)**

MOTION PICTURE AND FILM PRODUCTION INCOME TAX CREDIT

19__

Or fiscal year beginning _____, 19 ____, and ending _____, 19 ____

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-30, N-40, OR N-70NP

SSN OR FEIN

Name

Hawaii G.E./Use Ident. Number

COMPUTATION OF TAX CREDIT

PRODUCTION COSTS PART OF THE TAX CREDIT

1. Total production costs incurred in the taxable year qualifying for a 4% tax credit. (Estates and trusts, see Instructions)	1		
Was a deduction taken under Internal Revenue Code section 179 (regarding an election to expense certain depreciable business assets) on any property costs included on line 1? Yes <input type="checkbox"/> No <input type="checkbox"/>			
2. Tax credit percentage.....	2	4%	
3. Multiply line 1 by line 2 and enter the result here.....			3
4. Total production costs incurred in the taxable year qualifying for a less than 4% tax credit. (Estates and trusts, see Instructions)	4		
Was a deduction taken under Internal Revenue Code section 179 (regarding an election to expense certain depreciable business assets) on any property costs included on line 4? Yes <input type="checkbox"/> No <input type="checkbox"/>			
5. Tax credit percentage.....	5		
6. Multiply line 4 by line 5 and enter the result here.....			6

TRANSIENT ACCOMMODATIONS COSTS PART OF THE TAX CREDIT

7. Total transient accommodations costs incurred in the taxable year qualifying for a 6% tax credit. (Estates and trusts, see Instructions)	7		
8. Tax credit percentage.....	8	6%	
9. Multiply line 7 by line 8 and enter the result here			9
10. Total transient accommodations costs incurred in the taxable year qualifying for a less than 6% tax credit. (Estates and trusts, see Instructions)	10		
11. Tax credit percentage.....	11		
12. Multiply line 10 by line 11 and enter the result here.....			12
13. Motion Picture and Film Production Income Tax Credit —Add the amounts on lines 3, 6, 9, and 12 and enter here and on Form N-11, line 45; N-12, line 57; N-15, line 62; N-30, line 18(f); N-40, Schedule F, line 2; or N-70NP, line 16(g) (rounded to the nearest dollar for individual taxpayers).....			13

GENERAL INSTRUCTIONS

Pursuant to Act 107, Session Laws of Hawaii 1997, and available for taxable years beginning after December 31, 1996, each taxpayer subject to Hawaii's net income tax, who incurs production costs and transient accommodations costs in Hawaii while producing a motion picture or television film that benefits Hawaii's economy, may claim a motion picture and film production income tax credit for the taxable year in which the credit is properly claimed. The tax credit is comprised of two parts: **1)** an amount up to 4% of the costs incurred in Hawaii in the production of motion picture or television films, plus **2)** an amount up to 6% of the costs incurred in Hawaii in the production of motion picture or television films for actual expenditures for transient accommodations.

With regard to the part of the credit related to production costs, two special provisions apply:

1. If a deduction is taken under Internal Revenue Code (IRC) section 179 (regarding an election to expense certain depreciable business assets) no tax credit shall be allowed for those production costs for which the section 179 deduction was taken; and
2. The basis of eligible property for depreciation or accelerated cost recovery system (ACRS) purposes for state income taxes

shall be reduced by the part of the tax credit related to production costs that is allowable and claimed.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified production costs and qualified transient accommodations costs incurred by the entity for the taxable year. The production costs and the transient accommodations costs upon which the tax credit is computed is determined at the entity level. Each partner, S corporation shareholder, or beneficiary of an estate or trust shall separately take into account for its taxable year with or within which the entity's taxable year ends, the partner's, shareholder's, or beneficiary's share of the production costs and the transient accommodations costs and resulting tax credit. A partner's share of the production costs and the transient accommodations costs shall be determined in accordance with the ratio in which the partners divide the general profits of the partnership. The production costs and the transient accommodations costs of the partnership which are subject to a special allocation that is recognized under IRC section 704(a) and (b) shall be recognized for the purposes of this tax credit. Each S corporation shareholder's production costs and transient accommodations costs is the shareholder's allocated share of the S corporation's production costs and transient accommodations costs. A beneficiary's share of the production costs and of the transient accommodations costs is apportioned between the entity and the beneficiaries based on the income of the entity allocable to each. The term "beneficiary" includes an heir, legatee, or devisee.

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In the case of a taxpayer who is a member of a pass-through entity (i.e., partnership, S corporation, estate, or trust) and who claims a tax credit for the entity's qualified production costs and qualified transient accommodations costs, the taxpayer shall attach Form N-316A to Form N-316 when the tax credit is claimed.

Amount of credits. The maximum allowable tax credits, up to 4% of the production costs and up to 6% of the transient accommodations costs, may be claimed when the production of motion picture or television films provides greater benefits to Hawaii's economy. The amount of the tax credits shall be based upon guidelines issued by the Department of Taxation.

Tax credit to be deducted from income tax liability, if any; refunds. If the tax credit exceeds the taxpayer's income tax liability, the excess of the tax credit over the liability shall be refunded to the taxpayer; provided that no refunds or payment on account of the tax credit shall be made for amounts less than \$1.

Time for filing. All claims, including any amended claims, for a tax credit shall be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

SPECIFIC INSTRUCTIONS

Line 1 — Enter the total of production costs incurred in the taxable year qualifying for a 4% credit. Do not include that portion of the production costs for which a deduction is taken under IRC section 179.

If you received a distribution of production costs qualifying for a 4% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 1.

Estates and trusts: The total production costs on line 1 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 1, enter the production costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to the N-40 return and show the distributive share of the production costs for each beneficiary.

Line 4 — Enter the total of production costs incurred in the taxable year qualifying for a less than 4% credit. Do not include that portion of the production costs for which a deduction is taken under IRC section 179.

If you received a distribution of production costs qualifying for a less than 4% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 2.

Estates and trusts: The total production costs on line 4 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 4, enter the production costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to the N-40 return and show the distributive share of the production costs for each beneficiary.

Line 7 — Enter the total transient accommodations costs incurred in the taxable year qualifying for a 6% tax credit.

If you received a distribution of transient accommodations costs qualifying for a 6% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 3.

Estates and trusts: The total transient accommodations costs on line 7 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 7, enter the transient accommodations costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to the N-40 return and show the distributive share of the transient accommodations costs for each beneficiary.

Line 10 — Enter the total transient accommodations costs incurred in the taxable year qualifying for a less than 6% tax credit.

If you received a distribution of transient accommodations costs qualifying for a less than 6% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 4.

Estates and trusts: The total transient accommodations costs on line 10 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 10, enter the transient accommodations costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to the N-40 return and show the distributive share of the transient accommodations costs for each beneficiary.

Line 13 — Enter the total tax credit claimed for the year on this line and on the applicable line of your tax return. For individual taxpayers, round the amount on line 13 to the nearest dollar.